

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 2, 1961

MEMORANDUM FOR THE PRESIDENT

Subject: A non-economic report from Germany

On the basis of conversations in Germany July 27 and 28, I should like to transmit some German thinking on four points: (1) the reactions to your address on Berlin; (2) the fears of a separate peace treaty with East Germany; (3) the impact of a blockade against East Germany; and (4) the need for advance political and military planning for the growing possibility of an East German uprising. In so doing I realize I'm treading on State, Treasury, Defense, CIA, and USIA terrain--no doubt, well-ploughed terrain at that--but the views of responsible, well-informed Germans may hold some interest, so I'm passing them along.

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(My main business/Germany, by the way, was to give a talk in Bonn to a group of German industrial and financial leaders, plus a few Government people, under the auspices of the German equivalent of the U.S. Chamber of Commerce. Appearing hard on the heels of your superb Berlin speech, and speaking in German, as I did, I could have recited Grimm's Fairy Tales and still have been assured of a good reception. The group was responsive, appreciative, and talkative. What made the day in Bonn doubly worthwhile was a dinner arranged by Ambassador Dowling with a dozen influential German leaders in Government, politics, and intellectual life. Also, on Friday, I had a very useful luncheon meeting in Frankfurt with some of the directors and top staff of the German Central Bank, the Bundesbank.)

1. Reactions to Berlin speech (based on perhaps two dozen conversations)

Running through the reactions I heard was this basic theme: thank heaven, there's leadership in the White House again. They were pleased with the firmness, the logic, the balance, and the action in your speech and program. (No one can tell me that U.S. prestige abroad is now ebbing--surely not in Western Europe.) It is striking that the West Germans, so close under Soviet missiles and guns, take such a tough stand--no concessions or retreat for them. It makes one wonder: do they recognize the full import of their present stance--and ours--and will they stand as firm when and if the threat of war comes closer?

On points 2, 3 and 4, most of the conversation (again, in German) was with Robert Pferdmenges of the German Bundestag (reputedly the only man in the world who calls Adenauer "Konrad"); Axel Springer, the

impressive publisher of Die Welt and numerous other papers, books, etc.; and Franz Etzel, the German Finance Minister (who sent you his personal regards). Needless to say, I made clear that the discussions were far from my sphere of responsibility, and, while I listened with great interest, I expressed no opinions on policy points.

2. East German Peace Treaty

If a separate peace treaty with East Germany were signed and in any way sanctioned by the West--for example, in exchange for guaranteed access rights to Berlin--Springer felt West Berlin would become a hollow shell. Barbed-wire barriers would totally seal off West Berlin from East Germany, Ulbricht would move ahead along the lines of his June 15 threats, and the people of West Berlin would gradually give up the ghost. It was felt that they would either emigrate to West Germany or at least send their children there. (In spite of the western aide-memoire, apprehensions were created in Germany by the Reston column on the Oder-Neisse line, and a little item on a Walt Rostow speech, of which Springer had a clipping in his hand.)

3. Blockade Against East Germany

On the question of effectiveness of economic warfare, Springer volunteered the conviction that banning of West German exports to East Germany would have a "crippling effect" on the East German economy. He said that such exports represented only a small factor for West German producers, but a very large marginal source of supply for the East Germans.

4. East German Uprising

Conditions in East Germany are bad enough, and the contrast with the material welfare and political and economic freedom of West Germany is so great, that an uprising in response to either a separate German peace treaty or a blockade, or both, must be reckoned with. Springer expressed the urgent hope--strongly underscored by other participants in the conversation--that U.S. policy be prepared for such a development, since another Hungary could well be in the making. Several in the group expressed the opinion that advance analysis and planning on the conditions and consequences of Allied intervention in the case of such an uprising should have at least equal rank with direct political and military thinking about Berlin itself. This point, if valid, struck me as the most significant one to emerge from my German conversations.

Walter W. Heller